

# ***Investigative Report***

## ***Arkansas Legislative Audit***

### **Review of Receipts and Deposits**

### **City of Prescott Police Department**

February 18, 2014 through December 31, 2016



## **INTRODUCTION**

This report is issued in response to a request from the Eighth-North Judicial District Prosecuting Attorney for Arkansas Legislative Audit (ALA) to review receipts and deposits for the City of Prescott Police Department (Department). Of specific concern were allegations of potential missing funds in the Department.

## **OBJECTIVES**

Objectives of this review were to determine if:

- All funds were deposited into the proper bank accounts.
- Internal control over the Department's receipting and depositing processes was adequate.

## **SCOPE AND METHODOLOGY**

This review was conducted primarily for the period February 18, 2014 through December 31, 2016. ALA staff reviewed manual receipts, computer-generated reports, bank statements, deposit slips, and garnishment records maintained by the Department as well as deposit composition provided by the bank. In addition, certain Department personnel were interviewed, and the Department's internal controls relevant to the receipting and depositing processes were reviewed for adequacy.

The methodology used in conducting this investigative review was developed uniquely to address the stated objectives; therefore, this review was more limited in scope than an audit or attestation engagement performed in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States.

## **BACKGROUND**

The City of Prescott (City) is a municipality of the first class located in Nevada County. With a population of approximately 3,300 residents, the City operates under the mayor-council form of government. The City Council consists of eight members who govern the City, including the Police Department. The City receives an annual financial audit by a certified public accounting (CPA) firm.

### **ARKANSAS LEGISLATIVE AUDIT**

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Department personnel consists of a Police Chief, eight police officers, and an Administrative Assistant. The Administrative Assistant is responsible for collecting, receipting, and depositing all revenue received by the Department, as well as recording fine payments to defendant accounts maintained in the computer system.

The Department utilizes two bank accounts: the Bond and Fine Account and the Police Equipment Fund. The Bond and Fine Account is used for the deposit of fines and court costs, while the Equipment Fund is used for the deposit of service fees and accident report revenue. The individual who served as Administrative Assistant during the review period was hired in February 2014 and resigned from employment in December 2016.

## RESULTS OF REVIEW

### Unaccounted For Funds

Review of receipts and deposits for the period February 18, 2014 through December 31, 2016, revealed unaccounted for funds totaling \$38,078 in the Bond and Fine Account, as shown in **Exhibit I**. Manual receipt books for the period August 15, 2016 through December 19, 2016, could not be located; therefore, the actual amount of unaccounted for funds could be higher.

Unreceipted checks totaling \$34,544 were deposited in the Bond and Fine Account, apparently to conceal the unaccounted for funds consisting primarily of cash. These checks included service fees and accident report revenue totaling \$10,566 that should have been deposited in the Police Equipment Fund.

#### Exhibit I

City of Prescott Police Department  
 Comparison of Receipts with Bank Deposits  
 For the Period February 18, 2014 through December 31, 2016

	January 1 - December 31,		February 18 -	Totals
	2016	2015	December 31, 2014	
<b>Receipts</b>	<b>\$ 76,261</b>	<b>\$ 102,148</b>	<b>\$ 91,445</b>	<b>\$ 269,854</b>
<b>Unreceipted checks deposited</b>	<b>4,374</b>	<b>7,992</b>	<b>22,178</b>	<b>34,544</b>
<b>Adjustment for receipting errors</b>	<b>(12)</b>	<b>58</b>	<b>(55)</b>	<b>(9)</b>
<b>Total funds to be accounted for</b>	<b>80,623</b>	<b>110,198</b>	<b>113,568</b>	<b>304,389</b>
<b>Less: Bank deposits</b>	<b>71,818</b>	<b>97,648</b>	<b>96,845</b>	<b>266,311</b>
<b>Unaccounted For Funds</b>	<b>\$ 8,805</b>	<b>\$ 12,550</b>	<b>\$ 16,723</b>	<b>\$ 38,078</b>

Source: City of Prescott Police Department financial records (unaudited by Arkansas Legislative Audit)

In addition to the unaccounted for funds, missing receipt books, and unreceipted revenue paid with checks, the following discrepancies were noted:

- Manual receipts were not always posted timely in the computer system.
- Receipts did not always indicate the correct method of payment.

- Some manual receipts were not posted in the computer system, while others were posted for the wrong amount and/or posted to the wrong account.
- Receipts were not identifiable with bank deposits.
- Some receipts were improperly altered, while others were improperly voided.

### Internal Control Deficiencies

The following internal control deficiencies were noted:

- Receipting and depositing duties were not properly segregated.
- Manual receipts were not reconciled with bank deposits.
- Management did not provide adequate fiscal oversight.

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## RECOMMENDATIONS

**ALA staff recommend** that receipting and depositing duties be segregated to the extent possible and manual receipts be reconciled to bank deposit composition by cash and check.

In addition, management should exercise proper fiscal oversight, establish adequate internal controls concerning the receipting and depositing processes, and monitor these controls to ensure adherence.

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## MANAGEMENT RESPONSE

Management response is provided in its entirety in **Appendix A**.

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## SUMMARY

ALA staff review revealed unaccounted for funds totaling **\$38,078** in the Department's Bond and Fine Account during the period February 18, 2014 through December 31, 2016, as shown in **Exhibit I on page 2**. The Administrative Assistant, who resigned from employment in December 2016, was custodian of the funds and responsible for bank deposits.

Several internal control deficiencies contributed to funds being misappropriated and management not detecting the misappropriation timely.

This report has been forwarded to the Eighth-North Judicial District Prosecuting Attorney.

**Appendix A**  
**Management Response**



**CITY OF PRESCOTT POLICE DEPARTMENT**  
**CHIEF JOSEPH A. BEAVERS**

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Mrs. Williams,

This is the response to the investigative report provided by your office dated September 22, 2017.

Administrative Assistant, Connie Beard worked for the Prescott Police Department from February, 2014 through December 31, 2016 for the previous chief of police, Brian Russell.

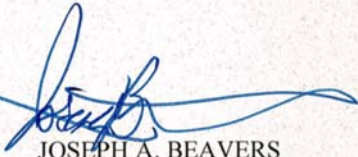
Approximately mid January, 2017, our new Admin Assistant, Beverly Evans began to find Discrepancies in the monies in our bond and fine account and our Departmental Equipment Fund. She immediately brought her findings to Chief Russell's attention, who began researching the issue himself. After determining that we did in fact have an issue with the Monies, he contacted the office of the Prosecuting Attorney in an attempt to get a departmental audit conducted. This audit would serve 2 purposes, First it was for the discrepancy in the Accounts, And second, He was planning to retire in March, 2017.

As of March 07, 2017, I became Chief of Police for the Department. Determining that we had deficiencies in accounting and fiscal oversight procedures, the following changes were put into place.

1. All voided receipts, calculation adjustments, etc. are witnessed and initialed by the Chief of Police or member of the command staff.
2. All receipts are reconciled within our internal spreadsheet accounting system, that in turn Has to reconcile with the Virtual Justice accounting system utilized by the Nevada County District Court.
3. Our deposit and check register must reconcile with the records maintained by the Nevada County District Court.
4. As a result of your report, we will also begin to have at least a quarterly Audit and

reconciliation conducted by our city manager.

I appreciate the work conducted by the Office of Legislative Audit. The information gathered can only move our department forward, and insure the we are providing the best services possible to the citizens of the City of Prescott.

A handwritten signature in blue ink, appearing to read "Joe Beavers", with a long horizontal flourish extending to the right.

JOSEPH A. BEAVERS

CHIEF OF POLICE

A handwritten signature in blue ink, appearing to read "Terry C. Oliver", with a large circular flourish at the end.

TERRY C. OLIVER

MAYOR

